

Remarks

Claims 1 through 14 are pending in the application.

The Office Action asserts that under 35 U.S.C. §103(a), claims 1 through 14 are unpatentable over an article titled "Multilayered Perceptron Approach to Prediction of the SEC's Investigation Targets" by Taek Mu Kwon and Ehsan H. Feroz (IEEE Transactions on Neural Networks, Vol. 7, No. 5, September 1996) in view of U.S. Patent No. 5,696,907 to Tom.

Independent claim 1 recites a system for providing a user with a higher risk score indicating the likelihood that a business under inquiry by the user may be involved in questionable activity. The system includes means for evaluating how closely the profile of the business under inquiry matches those of businesses already confirmed as higher risk, means for producing the higher risk score based on the results of an evaluation performed by the evaluating means, and means for transmitting the higher risk score to the user. The means for evaluating comprise a neural network model capable of capturing the way multiple data elements inter-relate and thereby of recognizing patterns indicative of questionable activity.

The Kwon article describes a methodology for predicting targets of the Securities and Exchange Commission's (SEC's) investigation of fraudulent financial reporting. The methodology uses seven indicators or "red flags", including four financial red flags and three turnover red flags. The financial red flags include profitability, sensitivity, difficulty to audit, and going concern ratios. The non-financial red flags include CEO turnover, CFO turnover, and auditor turnover. A neural network architecture is used to classify companies into two groups: those companies that are likely to be targeted by an SEC investigation, and those companies that are not likely to be targeted.

Tom discloses a system for performing risk and credit analysis of financial service applications with a neural network. In particular, the neural network screens applications to control loss and to find directions where business volume can increase with a minimum increase in loss.

The Kwon article and Tom do not render claim 1 obvious because the references fail to disclose or suggest means for producing a higher risk score based on the results of an evaluation performed by a neural network. The Kwon article discusses using a neural network to classify firms into two groups: firms that are likely targets of an SEC investigation on the grounds of fraudulent financial reporting, and firms that are not likely targets. The Kwon article does not disclose or suggest producing a score based on an evaluation by the neural network.

Tom discloses the use of a neural network for optimizing credit analysis in a financial service application. The neural network receives various financial variables joined into groups and determines weights to apply to the financial variables. Once the weights have been determined, they are stored in a computer which is used to provide risk and credit evaluations of newly proposed financial service applications. In other words, the neural network disclosed in Tom produces weights that can be applied to financial variables that allow a credit manager to control loss and guide business expansion. Tom does not disclose or even suggest producing a higher risk score and outputting the score to a user. Consequently, claim 1 is patentable over the Kwon article and Tom, either individually or in combination.

Claims 2 through 8 depend from independent claim 1 and are patentable over the Kwon article and Tom for at least the reasons given above regarding claim 1.

Independent claim 9 recites a method for providing a user with a higher risk score indicating the likelihood that a business under inquiry by the user is involved in questionable activity. The method includes the following steps: evaluating how closely the profile of the business under inquiry matches those of businesses already confirmed as higher risk, calculating a higher risk score based on results of the evaluating step; and transmitting a report of the degree of risk to the user. The evaluating step uses a neural network model capable of capturing the way multiple data elements inter-relate and thereby of recognizing patterns indicative of questionable activity. The report includes the higher risk score.

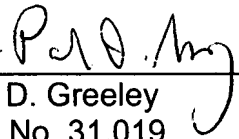
The Kwon article and Tom fail to anticipate claim 9. Neither of the cited references disclose or suggest calculating a higher risk score based on the results of an evaluation performed by a neural network, nor do the references disclose or suggest outputting a report that includes the higher risk score. Consequently, claim 9 is patentable over the Kwon article and Tom, either individually or in combination.

Claims 10 through 14 depend from independent claim 9 and are patentable over Kwon and Tom for at least the reasons given above.

In view of the above, Applicant respectfully submits that all claims presented in this application are patentably distinguishable over the cited combination of references. Accordingly, Applicant respectfully request favorable consideration and that this application be passed to allowance.

Respectfully submitted,

Date: April 25, 2007



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